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## UNIDO COUNTRY DIRECTOR PROGRAMME

Report by the Director-General

Summary

In accordance with Board decision IDB.7/Dec.19, reports to the Board on the outcome of the Director-General's negotiations with the Administrator of UNDP regarding the financing of the UCD programme by UNDP under sectoral support during the fifth programming cycle.

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## Introduction

1. In its decision IDB.7/Dec.19, the Board reaffirmed that the system of sharing financing of the UNIDO Country Director (UCD) programme with the United Nations Development Programme (UNDP) should be maintained. In that context, the Board requested the Director-General to pursue his consultations with the Administrator of UNDP on the basis of having a progressive increase of UCD posts without adversely affecting the financing of the existing posts, to keep the Member States informed on a continuous basis of the progress of his consultations, and to report to the Board at its eighth session thereon.

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## I. BACKGROUND

2. The UNDP Governing Council, in its decision 90/34 (para. 15) on the fifth programming cycle allocated $30 million for sectoral support; the distribution of which between the UCD programme and the sectoral support programme of smaller agencies would be decided by the Governing Council at its thirty-eighth session (1991). At the same time, in accordance with its decision 90/24 on sectoral support, the Governing Council postponed the review of the sectoral support programme for consideration at its thirty-eighth session.

3. In his report to the Governing Council on the review of the sectoral support programme to be issued under the symbol DP/1991/27, the Administrator recommends that the programme be continued in the fifth cycle. He further recommends that, because of its complementarity to the new support costs arrangements, the programme be reviewed as part of the evaluation of the new arrangements and consultations with the smaller agencies scheduled in 1993.

4. The same report recommends that the distribution of sectoral support funds between UNIDO and the smaller technical agencies should be according to the same ratio as in the fourth cycle for the years 1992 and 1993, i.e. $3.8 million per annum for UNIDO and $2.2 million per annum for the smaller technical agencies.

5. Because the figure of $30 million proposed for sectoral support does not fully provide for the inflation factor and in the light of Board decision IDB.7/Dec.19, UNIDO would have appreciated more substantial support from UNDP's sectoral support programme for the fifth cycle than the recommended amount of $3.8 million per annum.

## II. NEGOTIATIONS OF THE DIRECTOR-GENERAL WITH THE ADMINISTRATOR OF UNDP

6. The Director-General presented to the Programme and Budget Committee at its sixth session and to the Board at its seventh session his proposals for a long-term financing scheme for the UCD programme (IDB.7/12-PBC.6/16), and brought those proposals, as well as conclusion 1990/7 of the Programme and Budget Committee and Board decision IDB.7/Dec.19 to the attention of UNDP.

7. In the fourth cycle, UCD posts were covered from UNDP sectoral support funds as follows:

| | Posts |
|---|---|
| 1987 | 19 |
| 1988 | 24 |
| 1989 | 25 |
| 1990 | 29 |
| 1991 | 29 |

For the fifth cycle, as the average annual cost per post is assumed to be $200,000 in view of the inflation factor as indicated in document IDB.7/12, the UNDP sectoral support allocation of $19 million will permit the financing of only 19 UCDs on an annual basis. Even though there are some savings to be transferred from the fourth to the fifth cycle, a reduction in UCD posts over the coming five-year period will need to be undertaken to stay within the limited contributions to the UCD programme.

8. At the invitation of the Director-General, representatives of UNDP visited UNIDO Headquarters from 21 to 24 October 1990, and participated in the UCD meeting for the Asia and Pacific region in Tokyo, convened from 1 to 6 October 1990. He has furthermore requested the Administrator to include in the review to be undertaken of the sectoral support programme the following views of UNIDO:

(a) Pursuant to previous decisions of the Board and General Conference, the number of UCD posts should be increased to 50.

(b) The UCD programme has the objective of providing *in situ* and on a permanent basis the necessary support to the technical cooperation activities of the United Nations system in the industrial sector and of ensuring a continuous channel of communication between field activities and UNIDO Headquarters. The Memorandum of Understanding between UNDP and UNIDO on the integration of UNIDO field services within UNDP field offices, which governs the practical modalities of the UCD programme and contains provisions on the status and responsibilities of the UNDP Resident Representatives and the UNIDO Country Directors, has provided a solid basis for the co-operation of the two organizations in that respect.

(c) Through the physical integration of the UCD offices within the UNDP field offices, the UCDs became a part of the joint field structure of UNDP and UNIDO. While UNDP engages staff (programme officers) financed from UNDP resources to deal with projects and programmes of other agencies, whether or not represented in the country, the management of the industrial technical cooperation programme in the host countries is delegated to the office of the UCD, who is directly accountable to the UNDP Resident Representative.

(d) UCDs are frequently called upon by UNDP Resident Representatives to undertake functions within the frame of the United Nations Resident Coordinator's responsibilities as well as representational and administrative responsibilities of the UNDP office.

(e) As in the past cycle, sectoral support funds would have to finance the majority of UCD posts due to the limited availability of other funds. A realistic assessment of the trend of costs under inflationary conditions leads to the conclusion that the raising of the sectoral support funding from the $3.2 million annual rate (in the fourth cycle) to $3.8 million (in the fifth cycle) will not even permit the continuation of the present number of posts, which is 29, let alone the achievement of the overall target of 50 posts.

(f) While the overall negative effect on the number of UCD posts will be small in 1992-1993 (minus two posts) in view of savings from the fourth cycle which can be used to mitigate the real cut in funding, the downward trend will be more pronounced in the years after 1993 if no other funding sources are tapped. This would pose additional risks for the UCD programme in the 1994-1995 biennium.

## III. FINANCING FROM SUPPORT COSTS

9. In paragraph 24 of UNDP Governing Council decision 90/26 on agency support costs, it is suggested that sectoral support may be complementary to the objectives of arrangements made for technical support services under the successor arrangements for agency support costs to be introduced in 1992. A report prepared by UNDP within the framework of the sectoral support review compares the general description of UCD tasks with the areas of technical support listed in the annex to Governing Council decision 90/26. Yet, while there are some apparent similarities, the contribution of a UCD in preparing and implementing a field programme is very different from the contributions of highly specialized experts at the programme level. Funding of UCD posts from the resources earmarked for technical support services at the programme level would deprive the industry sector of the increase in programme-level activities which is desired by Member States.

## IV. FINANCING FROM THE OPERATIONAL BUDGET

10. In the programme and budget proposals for the 1992-1993 biennium (IDB.8/8 and Corr.1), the Director-General has, in line with Board decision IDB.7/Dec.19, suggested an increase of one UCD post, thus bringing the number of UCD posts financed from the operational budget to 10, compared with nine in the 1990-1991 programme and budgets. The Director-General has also made efforts to obtain increased host-country financing to meet rising local operating costs of the UCD offices.

11. Concern has been expressed by Member States about the negative effect of the support cost successor arrangements on the future capacity of UNIDO to finance its share of the UCD programme (presently nine posts, to be increased to 10 in the 1992-1993 biennium). As stated in paragraph 8 (f) above, there will be no such

effect during the 1992-1993 biennium, but it cannot be excluded that such an evolution would, in 1994-1995, put the UCD programme further at risk.

## V. CONCLUSIONS

12. From the above, it is evident that the UCD programme needs sectoral support funds as its financial backbone. As the assumed annual rate of $3.8 million will not suffice to maintain the present level of services over the fifth cycle (1992-1996), alternative sources must be found if the number of UCD posts is to be increased as requested by the Board in its decision IDB.7/Dec.19 or even maintained at its present level.

13. As already stated, UNIDO's operational budget will not be able to support more than 10 UCDs and funding from the technical support services would jeopardize the envisaged expansion of programme level activities under successor arrangements for agency support costs.

14. The only solution to appreciably increase resources for the UCD programme in the short-term would thus seem to be through voluntary contributions from donor countries and higher contributions from host countries to cover local office costs. At any rate, it is highly unlikely that the target of 50 UCD posts can be reached with the presently secured resources during the fifth cycle. Even the existing level of UCD posts can be maintained only if alternative sources of funding are found.

## VI. ACTION REQUIRED OF THE BOARD

15. The Board may wish to take note of the present report.